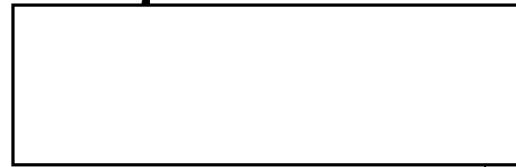


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State Department review completed

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**C**ARAB STATES - ISRAEL: Egypt's announcement yesterday of a halt in the disengagement talks at Kilometer 101 was accompanied with accusations and a stern warning to the Israelis. There are some indications from both sides, however, that the meetings may be resumed in the near future.

In a strongly worded statement, an official Egyptian spokesman charged Israel with evading implementation of the six-point cease-fire accord and warned that Tel Aviv will be held responsible for "all consequences." The spokesman stated that Egypt had broken off the talks because at yesterday's meeting Israel had "reneged" on earlier proposals for disengagement.

Few details of Thursday's abortive session are available, but the Egyptians apparently were completely frustrated by what they view as deliberate delaying tactics by the Israelis.

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The Israelis have been slow to react to the breakdown of negotiations, apparently in an attempt to minimize the stalemate. General Yariv, Israel's chief representative at the talks, commented soon after yesterday's session that he assumed talks will continue although he admitted that no date had been set for the next session. Yariv chose to emphasize that the two sides had agreed to prevent further military incidents through establishing contacts at the level of local commanders with the help of UN officials. Yariv described the main stumbling block in the talks as a failure to reach agreement on the "principle of territorial reciprocity." Israel's leading military commentator, General Haim Herzog, used the same phrase in his criticism of the Egyptians' assumption--"reinforced by assurances from the big powers"--that they can demand an Israeli withdrawal from the west bank without making an appropriate concession in return.

According to the Israeli press, there were sporadic exchanges of small arms fire at various points along the Egyptian front. The clash which marred yesterday's meeting at Kilometer 101 lasted for over 30 minutes and involved anti-tank missiles as well as light arms fire.

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WEST GERMANY - CZECHOSLOVAKIA: West Germany has reversed its stand and is now willing to sign the treaty normalizing relations and establish diplomatic relations with Czechoslovakia prior to negotiating the details of Bonn's rights to represent West Berlin's legal interests. According to the US Embassy in Bonn, Foreign Ministry sources are optimistic that the few "bugs" left in the treaty can be worked out in time to permit Chancellor Brandt and Foreign Minister Scheel to visit Prague on 12 December for signing ceremonies.

The Bonn-Prague dialogue broke down again earlier this month when the Czechoslovaks raised eleventh-hour objections to a compromise which would have permitted West Berlin as well as West German courts to deal directly with their East European counterparts. At that time Bonn rejected Prague's counterproposal to defer the thorny issue until relations were established. Resolution of the legal assistance issue will be left to Brandt to negotiate with Brezhnev when he visits Moscow early next year.

Bonn's willingness to postpone negotiations on the West Berlin legal assistance question is an important concession, because it gives up what little leverage the Federal Republic has in one aspect of its claim to a special relationship with West Berlin. The decision almost certainly means more negotiating headaches in the future for Brandt. Two motives appear to have been critical in prompting Bonn's decision to move ahead with Prague:

--A desire to get the stalled Ostpolitik underway again, in view of growing popular disenchantment with the results of Brandt's Eastern policy.

--A need to respond to Soviet concern that Bonn's apparent preoccupation with strengthening its ties with the West indicates a loss of interest in the East.

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Confident about the prospects for quick success with Prague, the Foreign Office is proceeding with scenarios for establishing relations with Hungary and Bulgaria. Those two countries have held up their talks with Bonn until the impasse in Czechoslovak - West German talks is overcome. Bonn now hopes to arrange final talks with Budapest and Sofia before Christmas, with an eye to normalizing relations by the end of the year.

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\*CHINA: A top-level political controversy, which began with policy debates and criticisms of ancient sages and emperors, is moving into a new and more overt stage. Political wall posters attacking current or former provincial leaders by name have been seen in several provinces.

Posters calling for the dismissal of unnamed provincial and municipal leaders were observed in Wuhan from 16 to 18 November [redacted]

[redacted] At least one poster demanded repayment of the "blood debt" owed to the major rightist Cultural Revolution faction by the left, and others attacked former leftist leaders and Red Guard groups in Hupeh Province. The attacks obviously have current significance, because they were accompanied by posters citing a "September 27 Instruction"--possibly a new central directive which authorized the upsurge of political agitation.

While the weight of media articles and poster criticism appears to be directed against the political left, this is by no means true in all cases. One poster in the Wuhan group proclaimed that all the other posters were "lies." Posters appearing in Shantung and Sinkiang provinces also seem to attack a variety of targets, some of them suggesting that old grudges are being dredged up. In the case of Shantung, the current first secretary has been attacked by name. These developments suggest that Peking has authorized an escalation of political debate, reflected in recent calls by the media to "lift the lid off class struggle," and that a more intense political conflict on the national level is fanning local political differences carried over from the Cultural Revolution.

[redacted] the political struggle as authorized by Peking is being conducted on a fairly general plane. Two Canton factories held meetings to study the subject of "going against the tide," a phrase popularized by youthful party vice chairman Wang Hung-wen in his report to the Tenth Party Congress. This phrase authorized criticism of current policies. Workers in one factory were allowed to criticize "affairs" that run counter to Mao's thought, but were specifically prohibited from criticizing current provincial

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or national leaders. The workers in the other factory, however, posted large-character posters and were encouraged to expose "revisionist elements inside and outside the factory."

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The future course and ultimate objectives of the campaign are not yet clear and may not have been defined by the fractious leadership at the center. Indeed, such lack of definition serves only to strengthen the impression that powerful national leaders are in conflict. Increasingly broad hints in the domestic media strongly suggest that the main antagonists are Premier Chou En-lai and Chiang Ching, Mao's wife. While the conflict appears to be developing along general left-right lines, it is complicated by the existence of old grudges at the local level and by the probability that at least some key national leaders have altered their Cultural Revolution stands.

The campaign will severely test the fragile leadership coalition. It may have postponed the National People's Congress, and it could even precipitate the purge of one or more top leaders. If events should reach a showdown, Chou and the moderates are unlikely to lose.

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\*The Acting Director of the Bureau of Intelligence and Research, Department of State, finds no clear indication of strong conflict among China's top leaders. The possibility of serious high-level leadership differences cannot be dismissed, but on present evidence it is only one extreme in a range of possible interpretations of still obscure Chinese internal developments. The anti-Confucius campaign is, indeed, the sort of movement which in the past has sometimes proved to have personal targets, and the appearances of wall posters is evidence that the campaign is intensifying. But if the movement is aimed at particular individuals, they could simply be provincial or lower level figures whose fate has been determined by a broad top-leadership consensus.

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FRANCE: Giscard d'Estaing, the French economics and finance minister, reportedly plans to leave the government next year.

The decision may reflect his assessment that resignation would improve his chances for the presidency. Giscard has long been considered a front-runner, but events of the last six months--growing economic problems, increasing hostility from orthodox Gaullists, and a resurgence in the popularity of former prime minister Chaban-Delmas--may have dimmed his presidential hopes.

In recent months, Pompidou's relations with influential hard-line Gaullists have been strained not only by what they see as inadequacies in his leadership, but also by his support of Giscard. These Gaullists have publicly criticized Giscard's economic and financial policies and his presidential ambitions. In view of these criticisms, Pompidou has backed off from active support of Giscard's ambitions.

Giscard's remaining prospects for gaining Gaullist support probably were killed two weeks ago at the Gaullist congress, which demonstrated a lack of enthusiasm for Pompidou. The congress gave de facto endorsement to Chaban's ambitions. A recent public opinion poll shows that Giscard--long the most popular politician after Pompidou--has lost ground, while Chaban has closed to within ten percentage points of Giscard.

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Giscard also wants to avoid being tarred with failure to control rising inflation and with the unpopular measures needed to bring the economy under control.

Political fortunes and decisions are subject to sudden changes, however, and Giscard's reported decision may be reversed. Lacking a cabinet position, he may decide it would be too difficult to keep his name before the public. Moreover, Pompidou may try to find some inducement to persuade Giscard to remain in the cabinet because of a number of unresolved trade and monetary problems.

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SAUDI ARABIA - FRANCE: Riyadh is seeking 300 additional French AMX-30 tanks and is considering the purchase of the Crotale surface-to-air missile system. Paris, already a major source of ground forces equipment, probably will approve the sale.

Saudi Arabia turned to France after the June 1967 war when the US temporarily imposed an embargo on the sale of arms to Arab countries. During 1968-72, Riyadh purchased 375 armored personnel carriers and some 200 AMX-30 medium tanks. Deliveries of the tanks began earlier this year and are scheduled to be completed by 1975. They will replace the aging US M-47 and M-41 tanks that now make up the Saudi tank force.

The additional AMX-30 tanks will be used to equip a new tank brigade. The Crotale surface-to-air missile system would increase Riyadh's air defense capabilities, which now consist of conventional anti-aircraft guns and US Hawk surface-to-air missile batteries.

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ARGENTINA: Military leaders have decided to support Peron's wife in the event she becomes president through her husband's death or incapacitation.

Shaken by Juan Peron's latest illness, army chiefs have been trying to make contingency plans. They have agreed that there are no acceptable alternatives to Vice President Maria Estela de Peron, and they believe they can control her because she and her closest associates are linked with the conservative faction of the Peronist movement. Her succession to the presidency would be constitutional and would eliminate the necessity of holding elections, which the officers fear would bring a leftist to power. Air force and naval officers are said to have arrived at similar conclusions.

Military leaders recognize that the armed forces' popularity reached its nadir under past military governments and they are reluctant to intervene openly in politics unless widespread public disorder occurs. Since Maria Estela de Peron would have to depend on the military to stay in office, she and a coterie of close advisers probably would be willing to provide the constitutional facade behind which the high command would operate.

The military's solution also might be acceptable to old-line Peronists, but the left wing of the coalition would not long tolerate such an arrangement. The angry reactions of young Peronists and revolutionary groups within the movement could create major security problems that would force the military to take a more direct hand in the government. 25X1

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## FOR THE RECORD\*

USSR: Early this morning the Soviets orbited an unmanned Soyuz spacecraft. The Soyuz was launched from Tyuratam and is expected to be recovered. The USSR may be testing design changes in the spacecraft in preparation for the joint US Apollo - Soviet Soyuz mission scheduled for 1975.

USSR-India: Party leader Brezhnev leaves India today after a five-day official visit during which several agreements for expanded economic ties were signed.

South Korea: Student protest activity intensified on 29 November with clashes between police and students at three major universities. Security officials continue to arrest student leaders, but no serious confrontations have been reported. Student activity remains confined to the campuses, and the demonstrations have been well within the police's ability to contain. Nonetheless, persistence of the activity seems likely to speed up government attempts to close all colleges before the end of the fall term in mid-December.

Iran-USSR: The recent application of the Soviet-controlled Irano-Russia Bank in Tehran for a branch in Rasht is reported to have run into difficulties with Iranian authorities. They are reported to oppose the proposed branch bank because Rasht already has adequate banking facilities and because approval of the application might lead to Soviet requests for branches in other Iranian cities. Recent Soviet efforts to expand economic cooperation have included plans to expand banking operations through the Irano-Russia Bank. A Soviet delegation visited Tehran in late September to arrange talks designed to increase the capitalization of the 50-year-old bank.

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\*These items were prepared by CIA without consultation with the Departments of State and Defense.

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